

# **The Chronicle of Higher Education**

Tuesday, May 12, 2009

## **States Plan to Spend Most Stimulus Money on Education Swiftly**

By ERIC KELDERMAN

The first nine states to apply for federal stimulus money meant for education will use most of the dollars to plug budget holes in the current and next fiscal years, and the funds will largely benefit public schools, not higher education, says an analysis released last week.

That pattern, if followed by the other states, means there may be little federal stimulus money left to shore up education spending in 2011, when many state budgets are still expected to have revenue shortfalls. If the trend continues, state aid for higher education could be headed for a steep drop-off after just 13 months, said Daniel J. Hurley, director of state relations and policy analysis at the American Association of State Colleges and Universities.

The analysis was contained in a [report](#) issued by the Education Commission of the States, a nonprofit, nonpartisan group set up by 49 states to study education policy. The report, "Proposed State Uses of Stabilization Funding," examines states' applications for the nearly \$54-billion in the State Fiscal Stabilization Fund, a small share of the \$787-billion economic-recovery package that President Obama [signed into law](#) in February. The commission says it will update the data as more state applications are approved.

### **Money Will Be Gone in a Year**

About \$40-billion of the fiscal-stabilization money must be spent directly on public schools and higher education, but states are using wide latitude in determining how to apportion those dollars between the two areas and over what time period.

Of the first nine states that have applied for that money, California, Illinois, Oregon, and Utah have indicated that they will spend all of it by the end of June 2010, and Maine expects to have just 3 percent of its funds left for the 2011 budget year.

"As the person responsible for the University of California's budget, I have a big concern about that," said Patrick J. Lenz, vice president for budget at the University of California system.

Legislators used more than 63 percent of California's \$5-billion in fiscal-stabilization money to help close a \$41-billion gap in the current fiscal year's budget, Mr. Lenz explained.

Michael S. Baumgartner, executive deputy director of the Illinois Board of Higher Education, said the state's public colleges were happy to be getting any extra money with the state facing an \$11-billion shortfall for the next budget year.

Illinois's public colleges are slated to receive nearly \$119-million of the state's fiscal-stabilization money—a 1.1-percent increase for the state's public universities and 2.8 percent more for the state's community colleges. While those dollars will be gone in a little more than a year, Gov. Pat Quinn of Illinois, a Democrat, is proposing tax increases to prevent a big drop-off in state revenue, Mr. Baumgartner said.

In contrast, Mississippi is reserving more than 52 percent of its stabilization money for the 2011 fiscal year, South Dakota is holding onto nearly a third of those dollars, and Wisconsin is holding nearly 22 percent. Minnesota is spending less than 5 percent of its fiscal-stabilization funds for the current fiscal year and the remainder of those dollars will be spent over the following two fiscal years.

### **Public Schools Get More**

States are also favoring public schools heavily in dividing up their fiscal-stabilization funds, the commission's report says, giving an average of 80 percent of the money to elementary and secondary education. That's not surprising, the report says, because on average states spend about 77 percent of education dollars on public schools.

But there are wide variations in the individual state numbers, with Wisconsin giving all of the fiscal-stabilization money to public schools and Minnesota providing 62 percent for elementary and secondary education.

Mr. Hurley, of the state-colleges association, said the average percentage of money going to public colleges was a positive sign that higher education was "holding its own" against public schools.